

Central Intelligence Agency



Washington, D.C. 20505

(102) file # 25X1
Sourced

DIRECTORATE OF INTELLIGENCE

26 February 1985

Japan-US Summit Followup:
Can Nakasone Deliver? ☐

25X1

Summary

Prime Minister Nakasone cannot by himself force a positive Japanese response to US pressure for sector-specific market liberalization. His position in the Liberal Democratic Party (LDP) has never been strong, and he is dependent for support on rival factions in the party. That dependence, along with the LDP's growing influence--at the expense of the bureaucracy--over public policy, suggests that broadbased party backing will be necessary for significant trade concessions. The LDP's support groups will also be a major factor. Where these groups are both politically important and strongly opposed to market opening--as is the case with forest products--prospects for liberalization are poor. Where opinion is divided--as in telecommunications--the party, and therefore Nakasone, has more latitude to make concessions. ☐

25X1

25X1

This memorandum was prepared by ☐ Japan Branch, Northeast Asia Division, Office of East Asian Analysis. Information available as of 26 February was used in its preparation. Comments and questions are welcome and may be directed to the Chief, Japan Branch, Northeast Asia Division, OEA, on ☐

25X1

25X1

EA M 85-10039

25X1

25X1

25X1

Promise of Action

I accept in principle the need for a more balanced trade relationship. . . .While there will be resistance in the government and bureaucracy, I will make resolution of each [sectoral problem] my personal decision.

Prime Minister Nakasone
speaking to President Reagan,
Los Angeles, 2 January 1985

In our judgment, Prime Minister Nakasone will do his best to follow through on his promise, recognizing that at least the appearance of significant progress in opening the Japanese market is needed to ease trade friction and protect his reputation for successfully managing the bilateral relationship. That reputation is a critical political asset--as long as it is not maintained at the cost of what the Japanese believe are excessive concessions to Washington. The qualified nature of Nakasone's pledge, however, suggests he anticipated strong resistance once he returned home and wanted to prepare the US Government for a partial failure. Nakasone may hope that, because of his friendship with the President, a good faith attempt, even if unsuccessful, will be enough to dissipate temporarily US resentment. For their part, bureaucrats and LDP politicians may see this personalized, high-level approach as a way to avoid US concentration on demands for specific concessions in their areas of responsibility. [redacted]

25X1

Limitations on Leadership in the LDP

In our view, the critical issues are not the Prime Minister's sincerity but rather the level of his influence in the LDP and the party's interest in responding positively to the United States. Nakasone is constrained by unusual shifts in the intraparty power balance that began in the early 1970s, when faction leaders Tanaka and Fukuda quarreled over the succession to Prime Minister Sato. Since that time, the antagonism between the two has intensified LDP factionalism. LDP leaders have negotiated a series of compromises to head off a party split but only at the cost of circumscribing the authority and reducing the political resources of the faction leader chosen as prime minister. The collegial/competitive nature of the current LDP power structure requires Nakasone to consult closely with his peers, which gives even weak factions opportunities for obstructionism. [redacted]

25X1

All issues are potential ammunition in the factional wars. Agreement on general principles--for example, the importance to Japan of maintaining friendly, stable relations with the United States--rarely inhibits a rival faction leader from seizing on a particular issue he believes might be useful for discrediting the prime minister's credentials as party spokesman. The negative reception Nakasone received from LDP leaders upon his return from

Los Angeles suggests many Liberal Democrats viewed his pledge to take the lead in opening markets in the four target sectors--telecommunications, electronics, pharmaceuticals/medical equipment, and forest products--as an excellent chance to attack him. Not only had he failed to clear the decision with the party, but the decision, if implemented, would inflict economic pain on valued party supporters. [redacted]

25X1

This does not mean, however, that a prime minister cannot carry through significant changes in policy. An activist like Nakasone can use bold, unexpected initiatives to throw his rivals off balance and maneuver them into a reactive position. By building an image as a "can do" statesman able to break supposedly hopeless bureaucratic or political logjams, he has enhanced his prestige and complicated the task of those plotting to undermine his position. This is a high-risk strategy, however, requiring a shrewd sense of where and how far to push on controversial issues as well as recognition of when to beat a tactical retreat. Nakasone probably erred if he judged he could use US pressure and his pledge to the President to force through the major policy changes needed to achieve a dramatic improvement in US-Japanese trade relations. [redacted]

25X1

Nakasone has been on shaky political ground since he first took office in late 1982.

-- He is both dependent on the support of the large Tanaka faction [redacted]

25X1

-- His faction ranks fourth out of five in manpower (see Table 1), and even the factions supposedly aligned with his contain "spoilers" who try to weaken him in order to maximize his dependence on their support and to prepare the way for their own bids for power.

-- [redacted]

25X1

Prominent among his more dangerous allies is former Prime Minister Suzuki, leader of the third faction in the mainstream coalition. Suzuki, jealous of Nakasone's foreign policy achievements and angry at not being consulted on major decisions, is searching for ways to trip him up. [redacted]

25X1

[redacted] since at least November 1984, Suzuki--together with Fukuda and Komoto--has been criticizing Nakasone within the party for making allegedly unnecessary trade concessions to the United States. They apparently believe the current surge of US pressure, like others before it, will subside and that concessions need only be sufficient to buy a few months time until it does. In addition, Suzuki was the prime mover last

25X1

Table 1

<u>LDP Factions</u>			
<u>Leader</u>	<u>Strength</u>	<u>Alignment</u>	
		<u>Dominant</u> <u>"Mainstream"</u>	<u>Opposition</u> <u>"Antimainstream"</u>
Tanaka	123 [*]	X	
Suzuki	80	X	
Fukuda	73		X
Nakasone	66	X	
Komoto	35		X
Unaffiliated	<u>8^{**}</u>	<u> </u>	<u> </u>
Total	385 ^{***}	269	108

* Does not include former Prime Minister Tanaka and Speaker of the Upper House Kimura.

** Does not include Speaker of the Lower House Sakata.

*** LDP Diet members in both houses of the Diet.

25X1

25X1

October behind LDP Vice President Nikaido's unsuccessful attempt to derail Nakasone's reelection as LDP president. [REDACTED]

25X1

Nakasone, moreover, must constantly monitor the activity of the three major contenders jockeying to succeed him, although he has been able to turn their ambitions--as well as Tanaka's--to his political advantage:

- Foreign Minister Abe, Finance Minister Takeshita, and LDP Executive Board Chairman Miyazawa are struggling to outmaneuver one other in the succession contest. Each would find Nakasone's support valuable and possibly indispensable, which limits their willingness to challenge him directly.
- All potential successors want to hold high office in order to enhance their reputations and keep themselves in the public eye, which forces them, particularly Cabinet ministers such as Takeshita and Abe, to support the Prime Minister's policies.
- As for Tanaka, he may be embarrassingly indispensable to Nakasone, but he is also obsessed with strengthening his political defenses while his case is in court. As a result, he depends on Nakasone, who both helps to protect him and holds down the office for which Tanaka's heir apparent, Takeshita, might otherwise make a bid. [REDACTED]

25X1

Nakasone, therefore, is far from helpless when it comes to inhibiting opposition and keeping enemies off balance. On the other hand, his resources are limited and his exposure is great when it comes to pushing through politically painful changes in policy such as those he promised during his meeting with the President. [REDACTED]

25X1

LDP Sensitivity to Pressure from Support Groups

The Prime Minister's ability to "deliver" and the LDP's interest in responding positively to the United States will vary from issue to issue. (see Table 2)¹ Nakasone will not go to the mat on forest products. Small-scale local manufacturers would be seriously threatened by lowering protectionist barriers, and their success in mobilizing immediate backing from the highest levels of the ruling party demonstrates they are a valued political constituency whose interests will be safeguarded as long as possible. [REDACTED]

25X1

[REDACTED]

25X1

Table 2

Political/Economic Profile of Industries in the Four Targeted Sectors

Industry	Importance to Japanese Economy	Importance to LDP	Source of Leverage	Reaction to MOSS Approach	Likely outcome
Telecommunications	High	Moderate/High	Funding	Mixed	Market access: positive; Japanese imports: equipment uncertain, services positive
Electronics	High	Moderate/High	Funding	Not yet clear	Uncertain: information insufficient
Medical Equipment/ Pharmaceuticals	Moderate	High	Funding: more than \$8.5 million publicly donated in 1983 by doctors, dentists, and pharmacists	Negative	Uncertain: LDP may override industry
-Forest Products	Low	High	Funding and votes: 300 plants, over 300,000 employed	Strongly negative	Progress unlikely

Prospects are better for at least partial success in pharmaceuticals and medical equipment. In some areas, the medical establishment appears to be working closely with manufacturers to restrict imports. We believe the LDP and the bureaucracy probably perceive some kind of accommodation is necessary, however, which may offset industry resistance. []

25X1

The telecommunications industry is divided on the degree to which the market should be liberalized, which should give the LDP more freedom to respond to US demands in this area. Opposition from the NTT "family" of protected enterprises, however, may persuade the party to moderate pressure on the bureaucracy to move on standards and certification. At this stage, the situation on the electronics front is unclear, in part because the Japanese are uncertain about what the United States wants. []

25X1

Implications for the United States

Although Nakasone labors under personal and structural liabilities, as prime minister and party president he nonetheless stands at the center of the policymaking system and is in a position to dispense favors and retaliate against enemies. Because major changes in Japanese policy cannot be obtained without his cooperation, strong and consistent US pressure on him will be necessary to make significant progress in opening Japanese markets in the four designated sectors. Even so, pressure on Nakasone alone will not be sufficient. No matter what arguments he may use, he is not in a position to force the party to make politically painful concessions. Indeed, excessive concentration on the single faction leader who happens to be prime minister runs the risk of leaving him dangerously exposed to attack by the other factions. Personalizing pressure also risks exposing Washington to countercharges of undermining the Japanese prime minister. []

25X1

On trade, as on defense, Nakasone will need to have the LDP as a whole behind him before the government can make a major move. Broadbased LDP backing has become increasingly important as the party has become more and more involved in areas once dominated by the bureaucracy, including bilateral trade policy. As Japan's economy is opened to foreign penetration, trade issues touch more immediately on the ruling party's political equities--and offer fresh opportunities to extract contributions from threatened constituencies. Moreover, these issues are increasingly related to new technologies that spill over the traditional ministerial boundaries. That, together with the difficult task of balancing domestic and foreign pressures, often causes the ministries to temporize or deadlock and forces decisions up to the political level. In our judgment, therefore, the key pressure points will increasingly be found in the LDP rather than in the bureaucracy. []

25X1

On matters touching on management of the overall relationship with the United States, the five faction leaders and their chief lieutenants are most influential. Overlapping this group is another consisting of the top LDP officials and Cabinet ministers, including ministers responsible for the four economic sectors. In addition, the senior politicians staffing, or in a position to influence, the party's policymaking apparatus will play an important role in shaping the LDP's response. (See Table 3) Most of these LDP leaders, to say nothing of the rank-and-file, apparently have yet to arrive at the conclusion that Japan needs to be more cooperative with the United States. Press [] [] reporting indicates that the outcry from the United States is penetrating their consciousness only gradually, while pressures from threatened domestic interests register clearly and immediately. []

25X1
25X1

25X1

Table 3

Key LDP Players

<u>Diet Member</u>	<u>Cabinet Portfolio</u>	<u>Party Position</u>	<u>Sectoral Influence</u>			
			<u>Telecom</u>	<u>Elec</u>	<u>Med-Pharm</u>	<u>Forest Products</u>
Nakasone Faction Yasuhiro Nakasone (Faction leader)	Prime Minister	President	*	*	*	*
Hikaru Matsunaga	Education ¹		*	*	*	
Takeshi Noda		Chairman, Commerce and Industry Division		*		
Michio Watanabe						X
Tokutaro Higaki						X
Takami Eto						X
Ichichi Nakao						X
Tadashi Kuranari			X			X
Tanaka Faction Kakuei Tanaka (Faction leader)			X	X		X
Noboru Takeshita (Heir apparent)	Finance		*	*	*	*
Susumu Nikaïdo (Chairman)		Vice President				
Shin Kanemaru		Secretary General	X			X
Masumi Esaki		Chairman, Special Committee for International Economic Measures				
Moriyoshi Sato	Agriculture, Forestry and Fisheries ²		X			*
Megumu Sato	Posts and Telecommunications ³		*	*		*
Ryutaro Hashimoto		Chairman, Research Commission on Fundamental Medical Care			*	

* Influence derived from ministerial or party position

X Personal Influence

Tsutomu Hata	Chairman, Research Commission on Forestry				*
Yuji Usada	Chairman, Research Commission on Information Industries	*			
Noboru Minowa		X	X	X	
Takao Kameoka		X			X
Eiji Hata		X			
Jushiro Komiyama		X			
Yoshiro Hayashi		X	X	X	

Suzuki Faction

Zenko Suzuki	(Faction Leader)				
Kiichi Miyazawa	Chairman, Executive Council				
(Acting Chairman & Heir apparent)					
Hiroyuki Masuoka	Health and Welfare ⁴	X	*		
Koichi Kato	Defense Agency				X
Kunikichi Sato			X		
Yoshitake Sasaki		X			
Tatsuo Ozawa			X		

Fukuda Faction

Takeo Fukuda	(Faction Leader)				
Shintaro Abe	Foreign Affairs	*	*	*	*
(Acting Chairman & Heir Apparent)					
Masayuki Fujio	Chairman, Policy Affairs Research Council	X			
Keiji Murata	International Trade and Industry ⁵	*	*	*	
Tokuichiro Tamazawa	Chairman, Agriculture and Forestry Division				*
Mutsuki Kato		X			
Akira Fukuda		X			
Yoshio Mori		X			
Masami Tanaka			X		

* Influence derived from ministerial or party position

X Personal influence

Komoto's Faction
Toshio Komoto

Chairman, Ministerial
 Conference for External
 Economic Affairs

* * * *

Hyosuke Niwa

Chairman, Research
 Commission on Comprehensive
 Agriculture

*

Tetsuo Kondo

Chairman, Communication
 Division

*

Tsunetaro Kato

Chairman, Research
 Commission on Fundamental
 Telecommunications Policies

*

Unaffiliated

Takashi Sato

X

Taichiro Okawara

X

- * Influence derived from ministerial or party position
 X Personal influence

- 1 MOE is secondary bureaucratic player in these sectors; influence is exerted via control over patents.
 2 MAFF is primary bureaucratic player in wood products.
 3 MPT is primary bureaucratic player in telecommunications, secondary in electronics.
 4 MHW is primary bureaucratic player in medical equipment and pharmaceuticals.
 5 MITI is primary bureaucratic player in electronics, secondary in telecommunications, medical equipment, and pharmaceuticals.

Distribution: Japan-US Summit Followup: Can Nakasone Deliver?

Original - OEA/NA/Japan

- 1 - C/OEA/Northeast Asia
- 1 - OEA/Research Director
- 1 - D/OEA
- 1 - DDI
- 1 - PDB Staff
- 1 - D/OMPS
- 1 - C/EA/RR
- 1 - OCR/DSG
- 5 - CPAS/IMC/CB
- 1 - C/DO/PPS

- 1 - [REDACTED]
- 1 - Donald Gregg, Office of the Vice President
- 1 - Under Secretary Allen Wallis, Department of State
- 1 - Gaston Sigur, National Security Council
- 1 - Roger Robinson, National Security Council
- 1 - Under Secretary Lionel Olmer, Department of Commerce
- 1 - Michael B. Smith, Office of the United States Trade Representative
- 1 - Assistant Secretary David Mulford, Department of the Treasury
- 1 - Under Secretary Daniel Amstutz, Department of Agriculture

DDI/OEA/NA/Japan [REDACTED]

(26 February 1985)

25X1

25X1

25X1